INDEPENDENT AUDITORS' REPORT BASIC FINANCIAL STATEMENTS SUPPLEMENTAL INFORMATION AND SCHEDULE OF FINDINGS

JUNE 30, 2006

JUNE 30, 2006

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CITY OF MAPLETON

CITY OFFICIALS

Donna Shaw (Resigned July 31, 2006)	Mayor	Jan 2008
Jerry Bumstead Robert Schulz Dian Bleil Roger Krohn Fred Standa	Council Member Council Member Council Member Council Member Mayor Pro tem	Jan 2008 Jan 2008 Jan 2010 Jan 2010 Jan 2008
Mavis Skow	Clerk/Treasurer	Annual
Glen A. Metcalf	Attorney	Annual



1009 Iowa Avenue P.O. Box 238 Onawa, IA 51040 Phone (712) 423-2616 Fax (712) 423-2626

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of The City Council City of Mapleton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the CITY OF MAPLETON, IOWA as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Mapleton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the governmental fund activities, the business type activities, and each major fund of the City of Mapleton, Iowa, for the year then ended June 30, 2006, on the basis of accounting described in Note 1.

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated September 21, 2006 on our consideration of City of Mapleton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with <u>Government Auditing Standards</u>, and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 18 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Mapleton's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Englary P.C. Certified Public Accountants

Onawa, Iowa September 21, 2006

CITY OF MAPLETON, IOWA Management's Discussion and Analysis (MD&A) For the Year Ended June 30, 2006

The City of Mapleton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City of Mapleton's financial statements, which follow.

Financial Highlights

- Revenues of the City's governmental activities increased 22.03% or approximately \$195,000, from fiscal year 2005 to fiscal year 2006. Property tax increased approximately \$6,700.
- Disbursements of the City's governmental activities decreased 1.77% or approximately \$24,000 in fiscal year 2006 from fiscal year 2005. Public Safety, Culture and Recreation, and Community and Economic Development, increased by approximately \$20,000, \$57,000 and \$51,000, respectively. Public Works, General Government, and Debt Service disbursements decreased by approximately \$29,000, \$22,000 and \$101,000, respectively.
- The City's total cash basis net assets increase by approximately \$17,000 from June 30, 2005 to June 30, 2006. The assets of the governmental activities decreased approximately \$113,000 while assets of the business type activities increased by approximately \$130,000.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the individual funds.

The Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides additional information about the City's finances.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the electric, water and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (1) the general fund, (2) the special revenue funds such as road use tax, local options sales tax, employee benefits, and urban renewal tax increments, and (3) the debt service fund. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the electric, water and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, from a deficit of \$144,426 to a deficit of \$257,773. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Government	nental Activities Year Ended June 30, 2006	Year Ended June 30, 2005
Receipts and Transfers:		
Program Receipts:		
Charges for Service	\$ 224,437	\$ 226,171
Operating Grants, Contributions and Restricted Interest	-	-
General Receipts:		
Property Tax	328,520	321,784
Local Option Sales Tax	71,224	68,734
Road Use Tax	110,685	109,919
Contributions not Restricted to Specific Purposes	20,065	410
Unrestricted Investment Earnings	6,395	4,168
Other General Receipts	331,094	164,038
Transfers, Net	138,820	168,100
17411313131		
Total Receipts and Transfers	1,231,240	1,063,324
·		
Disbursements:		
Public Safety	372,392	352,715
Public Works	458,087	486,963
Culture and Recreation	256,750	199,631
Community and Economic Development	93,451	41,980
General Government	136,120	158,516
Debt Service	<u>27,787</u>	<u>129,034</u>
Total Disbursements	<u>1,344,587</u>	<u>1,368,839</u>
Increase (Decrease) in Cash Basis Net Assets	(113,347)	(305,515)
	/ 444 400\	404.000
Cash Basis Net Assets Beginning of Year	(<u>144,426)</u>	161,089
O I D I N I A I I /D-F-W First of Voca	ድ/ ጋ ደማ ማማጋ\	¢(1// /26)
Cash Basis Net Assets (Deficit) End of Year	\$(<u>257,773</u>)	\$(<u>144,426</u>)

The City's total receipts for governmental activities increased by 15.79%, or approximately \$168,000. The total cost of all programs and services decreased by approximately \$24,000 or 1.77% with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received from grants for the Airport and Fire Department.

The cost of all governmental activities this year was approximately \$1,345,000 compared to approximately \$1,369,000 last year. However, as shown in the Statement of Activities and Net Assts on pages 9 through 10, the amount taxpayers ultimately financed for these activities was approximately \$878,000 because some of the costs were paid by those directly benefited from the programs (\$224,437) or by other governments and organizations that subsidized certain programs with grants (\$241,908) contributions and restricted interest. Overall, the City's governmental activities receipts including intergovernmental aid and fees for service, increased in 2006 from approximately \$236,000 to approximately \$466,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$878,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest, general entitlements and transfers from Proprietary Type Funds.

	Changes in Cash Basis Net Assets of Business	Year Ended June 30, 2006	Year Ended June 30, 2005
Receipts:	•		
Program Red	eipts:		
Charges fo	r Service:		
Electric)	\$ 840,832	\$ 822,868
		196,809	206,676
Sewer		110,634	115,369
General Rece			7 000
Unrestricte	d Interest on Investments	18,308	7,008
	om WIMECA	79,346	312,497
	om Mapleton Communications	100,000	125,000
Other Gene	eral Receipts	50,227	41,535
	Total Receipts	1,396,156	1,630,953
Dishursements	and Transfers:		
Electric		856,478	922,226
Water		177,868	175,537
Sewer		92,508	60,305
Transfers		<u>138,820</u>	<u> 168,100</u>
	Total Disbursements and Transfers	<u>1,265,674</u>	1,326,168
Increase in Ca	sh Balance	130,482	304,785
Cash Basis Ne	t Assets Beginning of Year	<u>1,439,681</u>	<u>1,134,896</u>
Cash Basis Ne	t Assets End of Year	\$ <u>1,570,163</u>	\$ <u>1,439,681</u>

Total business type activities receipts for the fiscal year were approximately \$1,396,000 compared to approximately \$1,631,000 last year. This significant decrease was due primarily to the receipt of approximately \$79,000 from WIMECA compared to \$312,000 last year. The cash balance increased by approximately \$130,000 from the prior year. Total disbursements and transfers for the fiscal year decreased by 4.56% to a total of \$1,265,674.

Individual Major Governmental Fund Analysis

As the City of Mapleton completed the year, its governmental funds reported a combined fund deficit of \$257,773, a decrease of \$113,347 below last year's total deficit of \$144,426. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$100,426 from the prior year to a deficit of \$511,148. This decrease was due to an increase in general government disbursements.
- The Road Use Tax Fund cash balance decreased by \$12,010 to a deficit of \$31,948 during the fiscal year.
- The Urban Renewal Tax Increment Fund cash balance decreased \$16,239 from the prior year to a
 deficit of \$35,383. The decrease was primarily due to the transfer to Debt Service for retirement of
 debt.

Individual Major Business Type Fund Analysis

- The Water Fund cash balance increased by \$24,970 to \$400,685, due primarily to receipts exceeding disbursements.
- The Electric Fund cash balance increased by \$84,461 to \$751,869 due primarily to the \$100,000 distribution received from Mapleton Communication and the \$79,346 received from WIMECA for patronage dividends and member charge refund. This was partially offset with a transfer to Governmental Type funds of \$138,820 and increased operating costs.
- The Sewer Fund cash balance increased by \$21,051 to \$417,609, due primarily to receipts exceeding disbursements.

Budgetary Highlights

Over the course of the year, the City amended its budget once. The amendment was approved on June 14, 2006 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

Debt Administration

At June 30, 2006, the City had approximately \$110,000 in bonds and other long-term debt, compared to approximately \$130,000 last year as shown below:

	Outstanding Debt at Year End		
	C	Year Ended	Year Ended
		June 30, 2006	June 30, 2005
Urban Renewal Tax Increment	·		
Capital Notes		\$ <u>110,000</u>	\$ <u>130,000</u>

The Constitution of the State of lowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$110,000 is significantly below its constitutional debt limit of approximately \$2,000,000.

Economic Factors and Next Year's Budgets and Rates

The City of Mapleton elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

Inflation in the State continues to be lower than the national Consumer Price Index increase. The State's CPI increase was 3.8% for fiscal year 2006 compared with the national rate of 4.3%. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2005-2006.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$2.2 million, an increase of 7.5% over the final 2006 budget. Budgeted disbursements are expected to decrease by approximately \$290,000. Reductions in governmental expenditures of \$380,000 and increases in business type expenditures of \$90,000 account for the projected decrease.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$34,000 by the close of 2007.

Contacting City of Mapleton's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional information, contact Mavis Skow, City Clerk, 513 Main Street, Mapleton, Iowa 51034.

BASIC FINANCIAL STATEMENTS

CITY OF MAPLETON, IOWA STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS OF AND FOR THE YEAR ENDED JUNE 30, 2006

				Program	n Receipt	ts
Functions/Programs	Dis	oursements		harges for Services	G Contri Other	perating frants butions and Program evenues
Primary Government:						•
Governmental Activities:			_		_	
Public Safety	\$	372,392	\$	78,785	\$	7,251
Public Works		458,087		121,911		
Culture and Recreation		256,750		23,741		2,270
Community and Economic Development		93,451		•		20,065
General Government		136,120				
Debt Service		27,787				00 500
Total Governmental Activities		1,344,587		224,437		29,586
Dustrana Tura Antivities						
Business-Type Activities: Electric System		856,478		840,832		
Water System		177,868		196,809		
Sewer System		92,508		110,634		
Total Business-Type Activities:		1,126,854		1,148,275		
Total	\$	2,471,441	\$	1,372,712	\$	29,586

General Receipts:

Property Tax Levied For:
General Purposes
Tax Increment Financing
Local Option Sales Tax
Interest
General Intergovernmental Revenues
Sale of Merchandise
Miscellaneous
Interfund Transfers
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

Net (Disbursements) Receipts and Changes in Net Assets

Government Activities	al Bu	siness-Type Activities	Total
(336, (230, (73, (136,	,356) ,176) ,739) ,386) ,120) ,787)		\$ (286,356) (336,176) (230,739) (73,386) (136,120) (27,787) (1,090,564)
	\$	(15,646) 18,941 18,126 21,421	 (15,646) 18,941 18,126 21,421
(1,090	,564)	21,421	(1,069,143)
18 71 6	9,190 9,330 9,224 9,395 8,211	18,308	310,190 18,330 71,224 24,703 348,211
138	1,047 3,820	204 229,369 (138,820)	 204 313,416
(113 (144	7,217 3,347) 1,426)	109,061 130,482 1,439,681	 1,086,278 17,135 1,295,255
\$ (257	<u>7,773)</u> \$	1,570,163	\$ 1,312,390

CITY OF MAPLETON, IOWA STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

			Special Revenue			
		General		Tax rement nancing	R	oad Use Tax
Receipts: Property Tax Other City Taxes	\$	250,414 852				
Tax Increment Financing Collections			\$	18,330		
Licenses and Permits		1,485			¢.	440 695
Intergovernmental Revenue		237,526 224,437			\$	110,685
Charges for Services Interest		6,395				
Miscellaneous		96,970		13,333		1,845
Total Receipts		818,079		31,663		112,530
Disbursements: Operating:						
Public Safety		372,392				
Public Works		333,547				124,540
Culture and Recreation		256,750		00.445		
Community and Economic Development General Government		73,336 136,120		20,115		
Debt Service		•				
Principal Retirements Interest						
Total Disbursements		1,172,145		20,115	-	124,540
Excess (Deficiency) of Receipts Over Disbursements		(354,066)		11,548		(12,010)
Other Financing Sources (Uses): Operating Transfers In Operating Transfers Out		253,640		(27,787)		
Total Other Financing Sources (Uses)		253,640		(27,787)		
Net Change in Cash Balances		(100,426)		(16,239)		(12,010)
Cash Balances (Deficit) Beginning of Year		(410,722)		(19,144)		(19,938)
Cash Balances (Deficit) End of Year	\$	(511,148)	\$	(35,383)	\$	(31,948)

•	Special R	Revenu	e		
Ċ	Local Option iles Tax	En	nployee enefits	 Debt Service	Total ernmental Funds
\$	71,224	\$	58,725 199		\$ 309,139 72,275 18,330 1,485 348,211 224,437
	71,224		58,924	 	 6,395 112,148 1,092,420
					372,392 458,087 256,750 93,451 136,120
•	-			\$ 20,000 7,787 27,787	 20,000 7,787 1,344,587
	71,224		58,924	 (27,787)	 (252,167)
	(42,734) (42,734)		(72,086) (72,086)	 27,787 - 27,787	 281,427 (142,607) 138,820
,	28,490		(13,162)	-	(113,347)
	282,889		13,162	9,327	(144,426)
\$	311,379	\$	-	\$ 9,327	\$ (257,773)

CITY OF MAPLETON, IOWA STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES PROPRIETARY FUNDS

OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Business Type Activities			
	Electric System	Water System	Sewer System	Total
Operating Receipts:				
Charges for Services	\$ 840,832	\$ 196,809	\$ 110,634	\$ 1,148,275
Total Operating Revenue	840,832	196,809	110,634	1,148,275
Operating Disbursements:	,		•	
Business Type Activities	856,478	177,868	92,508	1,126,854
Excess (Deficency) of Operating Receipts Over				
(Under) Operating Disbursements	(15,646)	18,941	18,126	21,421
Non-Operating Receipts (Disbursements):				
Interest on Investments	12,916	2,696	2,696	18,308
Sale of Merchandise	204			204
Patronage Dividend - WIMECA	70,674		•	70,674
WIMECA Member Charge Refund	8,672			8,672
Distribution - Mapleton Communications	. 100,000			100,000
Other Non-operating Revenues	46,461	3,333	229	50,023
Total Non-Operating Receipts (Disbursements):	238,927	6,029	2,925	247,881
Excess of Receipts Over				•
Operating Disbursements	223,281	24,970	21,051	269,302
Operating Transfers Out	(138,820)			(138,820)
Net Change in Cash Balances	84,461	24,970	21,051	130,482
Cash Balances - Beginning of Year	667,408	375,715	396,558	1,439,681
Cash Balances - End of Year	\$ 751,869	\$ 400,685	\$ 417,609	\$ 1,570,163

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mapleton is a political subdivision of the State of Iowa located in Monona County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, community and economic development, and general government services. The City also provides water, electric, and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Mapleton has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods and services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Monona County Assessor's Conference Board, Monona County Emergency Management Commission, Monona County Landfill Commission and Monona County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operation or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City had no nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Note 1 - <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Cont.)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for urban renewal projects and economic development financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the monies received from local option sales tax.

The Employee Benefits Fund is used to account for the employee taxes received specifically for employee benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

C. Measurement Focus and Basis of Accounting

The City of Mapleton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safely, public works, culture and recreation, community and economic development functions and business type activities.

Note 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2006 were entirely covered by Federal Depository Insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Note 2 - CASH AND POOLED INVESTMENTS (Cont.)

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's Name.

The City's investments at June 30, 2006 were all in certificates of deposit.

Note 3 - BONDS AND NOTES PAYABLE

Annual Debt service requirements to maturity for the urban renewal tax increment financing capital notes are as follows:

	Urban Renewal Tax Increment			
Year - ::	Financin	• • •		
Ending	Capital	Notes		
June 30,	Principal	Interest		
2007	20,000	6,542		
2008	20,000	5,295		
2009	20,000	4,050		
2010	20,000	2,803		
2011	20,000	1,558		
2012	10,000	311		
Total	\$ 110,000	\$ 20,559		

The urban renewal tax increment financing capital notes were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The notes are payable solely from the income and proceeds of the Tax Increment Financing Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the tax increment financing capital notes were expended only for the purposes which were consistent with the plans of the city's urban renewal area. The notes are not a general obligation of the City; however the debt is subject to the constitutional debt limitation of the City.

Note 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the lowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2005, the contribution rates for police employees and the City were 6.16% and 9.23%, respectively, and for the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.90%, respectively. Contribution requirements are established by State Statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$32,492, \$29,475, and \$27,913, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

Note 5 - COMPENSATED ABSENCES

The City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments to employees at June 30, 2006, is \$21,470.

This liability has been computed based on rates of pay in effect at June 30, 2006.

Note 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer To	Transfer From	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax Employee Benefit	\$ 42,734 72,086
	Enterprise: Electric	<u>138,820</u> 253,640
Debt Service	Special Revenue: Tax Increment Financing	27,787
Total		\$ <u>281,427</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 7 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8 - DEFICIT FUND BALANCE

The General Fund, Tax Increment Financing Fund, and Road Use Tax Fund had deficit balances of \$511,148 \$35,383 and \$31,948, respectively at June 30, 2006. The deficits will be eliminated from future property and road use tax receipts.

REQUIRED SUPPLEMENTAL INFORMATON

BUDGETARY COMPARISON SCHEDULE

OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -

BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

		ernmental Funds Actual	P 	roprietary Funds Actual		Total
Receipts:	Φ.	200 400			æ	200 420
Property Tax	\$	309,139			\$	309,139
Other City Taxes		72,275				72,275 18,330
Tax Increment Financing Collections		18,330				1,485
Licenses and Permits		1,485 348,211				348,211
Intergovernmental Revenue		224,437	\$	1,148,275		1,372,712
Charges for Services		6,395	Ψ	18,308		24,703
Interest		112,148		229,573		341,721
Miscellaneous Total Revenue		1,092,420		1,396,156		2,488,576
Disbursements:						
Operating:						
Public Safety		372,392				372,392
Public Works		458,087				458,087
Culture and Recreation		256,750				256,750
Community and Economic Development		93,451				93,451
General Government		136,120				136,120
Principal Retirements		20,000				.20,000
Interest		7,787				7,787
Business Type Activities				1,126,854		1,126,854
Total Disbursements		1,344,587		1,126,854		2,471,441
Excess (Deficiency) of Receipts Over Disbursements		(252,167)		269,302		17,135
Other Financing Sources (Uses):						
Interfund Transfers In		281,427				281,427
Interfund Transfers Out		(142,607)		(138,820)		(281,427)
Total Other Financing Sources (Uses)		138,820		(138,820)		
· · · · · · · · · · · · · · · · · · ·						
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)		(113,347)		130,482		17,135
Cash Balances (Deficit)- Beginning of Year		(144,426)		1,439,681		1,295,255
Cash Balances (Deficit) - End of Year	\$	(257,773)	_\$	1,570,163	_ 9	3 1,312,390

See Accompanying Independent Auditors' Report

Budgeted Amounts						Final To Net
_		Original	anoui	Final		Variance
-		Original		1 mai		Variation
	\$	307,691	\$	307,691	\$	2,499
	•	64,411	•	64,411	·	6,813
		10,000		10,000		8,330
		1,225		1,225		260
		130,698		130,698		217,513
		1,441,660		1,441,660		(68,948)
		600		600		24,103
		. .		-		-
		17,700		17,700		324,021
_		1,973,985		1,973,985		514,591
		259,578		314,578		57,814
		280,047		435,047		23,040
		195,681		255,681		1,069
		25,000		85,000		8,451
		127,784		149,784		(13,664)
		20,000		20,000		_
		7,787		7,787		-
		1,089,786		1,120,786		6,068
		2,005,663		2,388,663	·	82,778
		(31.678)		(414,678)		431,813
		(31,678)		(414,070)		401,010
		124,975		124,975		156,452
		(124,975)		(124,975)		(156,452)
		-				
		(31,678)		(414,678)		431,813
		1,119,021		1,119,021		176,234
	\$	1,087,343	\$	704,343	_\$_	608,047

BUDGETARY COMPARISON SCHEDULE

OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -

BUDGET AND ACTUAL (CASH BASIS) - GENERAL FUND AND ALL MAJOR SPECIAL REVENUE FUNDS REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Budgeted Original	Amounts Final	Final To Net Variance
n				
Receipts:	\$ 250,414	\$ 249,581	\$ 249,581	\$ 833
Property Tax Other City Taxes	852	333	333	519
Licenses and Permits	1,485	1,225	1.225	260
Intergovernmental Revenue	237,526	18.144	18,144	219,382
Charges for Services	224,437	231,660	231,660	(7,223)
Interest	6,395	600	600	5,795
Miscellaneous	96,970	17,700	17,700	79,270
Total Revenue	818,079	519,243	519,243	298,836
Disbursements:				
Operating:	070.000	050 570	244 570	57,814
Public Safety	372,392	259,578	314,578	20,500
Public Works	333,547	158,047	313,047	1,069
Culture and Recreation	256,750	195,681	255,681	
Community and Economic Development	73,336	407 704	60,000	13,336
General Government	136,120	127,784	149,784	(13,664)
Total Disbursements	1,172,145	741,090	1,093,090	79,055
Excess (Deficiency) of Receipts Over Disbursements	(354,066)	(221,847)	(573,847)	219,781
Other Financing Sources (Uses)				
Interfund Transfers In	253,640	97,188	97,188	156,452
Interfund Transfers Out	200,010		,	
Total Other Financing Sources (Uses)	253,640	97,188	97,188	156,452
,			-	
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(100,426)	(124,659)	(476,659)	376,233
Cash Balances (Deficit) - Beginning of Year	(410,722)	(413,645)	(413,645)	2,923
Cash Balances (Deficit) - End of Year	\$ (511,148)	\$ (538,304)	\$ (890,304)	\$ 379,156

Tax Increment Financing Fund	Budgeted Amounts Original	Final To Net Variance	Road Use Tax Fund	Budgeted Amounts Original	Final To Net Variance	Local Option Sales Tax Fund	Budgeted Amounts Original	Final To Net Variance
\$ 18,330	10,000	\$ 8,330	0.440.60 5	¢ 442.554	¢ (1.860)	\$ 71,224	\$ 64,000	\$ 7,224
13,333_		13,333	\$ 110,685	\$ 112,554	\$ (1,869)		·	
31,663	10,000	21,663	110,685	112,554	(1,869)	71,224	64,000	7,224
			124,540	122,000	2,540			
20,115	25,000	(4,885)				•		
20,115	25,000	(4,885)	124,540	122,000	2,540			
11,548	(15,000)	26,548	(13,855)	(9,446)	(4,409)	71,224	64,000	7,224
(27,787)	(27,787)	-			- -	(42,734)	(39,000)	(3,734)
(27,787)	(27,787)			-		(42,734)	(39,000)	(3,734)
(16,239)	(42,787)	26,548	(13,855)	(9,446)	(4,409)	28,490	25,000	3,490
(19,144)	45,000	(64,144)	(19,938)	10,000	(29,938)	282,889	346,543	(63,654)
\$ (35,383)	\$ 2,213	\$ (37,596)	\$ (33,793)	\$ 554	\$ (34,347)	\$ 311,379	\$ 371,543	\$ (60,164)

CITY OF MAPLETON, IOWA BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES BUDGET AND ACTUAL (CASH BASIS) - GENERAL FUND AND ALL MAJOR SPECIAL REVENUE FUNDS REQUIRED SUPPLEMENTARY INFORMATION - (Continued) YEAR ENDED JUNE 30, 2006

	E	nployee Benefit Fund	Αı	udgeted mounts priginal		nal To Net riance
Receipts: Property Tax Other City Taxes Licenses and Permits Intergovernmental Revenue Charges for Services Interest Miscellaneous Total Revenue	\$	58,725 199 58,924	\$	58,110 78 58,188	\$	615 121 736
Disbursements: Operating: Public Safety Public Works Culture and Recreation Community and Economic Development General Government Total Disbursements		· · · · · · · · · · · · · · · · · · ·				
Excess (Deficiency) of Receipts Over Disbursements Other Financing Sources (Uses) Interfund Transfers In Interfund Transfers Out Total Other Financing Sources (Uses)		(72,086) (72,086)	\$	58,188 (58,188) (58,188)		736 (13,898) (13,898)
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses Cash Balances (Deficit) - Beginning of Year		(13,162) 13,162		<u>-</u>	,	(13,162) 13,162
Cash Balances (Deficit) - End of Year	\$_					

CITY OF MAPLETON, IOWA Notes to Required Supplementary Information – Budgetary Reporting June 30, 2006

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 10 major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds, and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$383,000. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the General Government.

CITY OF MAPLETON

SUPPLEMENTAL INFORMATON

CITY OF MAPLETON, IOWA SCHEDULE OF INDEBTEDNESS YEAR ENDED JUNE 30, 2006

Obligation	Date of	interest Rates	Amount Originally Issued	Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Tax Increment Financing (TIF) Revenue Bonds	August 15, 2000	6.23%	\$ 200,000	\$ 130,000	\$ 20,000	\$ 110,000	\$ 7,787	<u>\$ -</u>
Total			\$ 200,000	\$ 130,000	\$ 20,000	\$ 110,000	\$ 7,787	<u>\$ -</u>

CITY OF MAPLETON, IOWA Bond and Note Maturities June 30, 2006

Tax Increment Financing (TIF) Capital Notes

Swimming Pool Improvement Issued August 15, 2000

	3			
Year Ending June 30,	Interest Rates		Amount	
2007	6.23%	\$	20,000	
2008	6.23%		20,000	
2009	6.23%		20,000	
2010	6.23%		20,000	
2011	6.23%		20,000	
2012	6.23%		10,000	
Total		_\$	110,000	

Comparison of Taxes and Intergovernmental Revenues

	For The Years Ended June 30,					
	2006	2005	2004	2003		
Property Tax	\$ 309,139	\$ 313,654	\$ 128,748	\$ 257,327		
Tax Increment Financing Collections	18,330	6,991	375,849	19,866		
Other City Taxes:				•		
Mobile Home Tax	679	716	824	762		
Utility Tax	372	423	332	314		
Local Option Sales Tax	71,224	68,734	71,591	70,998		
	72,275	69,873	72,747	72,074		
Intergovernmental:						
State Allocations	2,340	1,950	1,950	22,017		
Bank Franchise Fees		5,012	14,885	7,159		
Federal Grants	212,322	-	-	-		
Cops Grant	2,315	- · · ·	1,940	1,235		
Road Use Tax	110,685	109,919	110,106	107,628		
Library Service	6,588	7,216	9,305	8,496		
Township Contributions	13,961	6,511	20,330	7,194		
Other State Grants	-	2,000	1,000	· -		
Other State States	348,211	132,608	159,516	153,729		
Total	\$ 747,955	\$ 523,126	\$ 736,860	\$ 502,996		



1009 Iowa Avenue P.O. Box 238 Onawa, IA 51040 Phone (712) 423-2616 Fax (712) 423-2626

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council City of Mapleton, Iowa

We have audited the general purpose financial statements of the CITY OF MAPLETON, IOWA, as of and for the year ended June 30, 2006 and have issued our report thereon dated September 21, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards; Chapter 11 Code of lowa; and those standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Mapleton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mapleton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City of Mapleton's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as Item 06-II-A.

A material weakness is a condition in which the design or operation of one or more or the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might have reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider Item 05-II-A to be a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Mapleton and other parties to whom the City of Mapleton may report. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Mapleton, lowa, during the course of our examination. If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

WillComy & Conputy P.C. Certified Public Accountants

Onawa, Iowa September 21, 2006

CITY OF MAPLETON, IOWA SCHEDULE OF FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Financial Statements

Instances of noncompliance. No matters were noted.

Material Weakness

A. <u>Segregation of Accounting Functions</u>

<u>Observation</u> - One important aspect of internal control is the segregation of accounting functions among employees. Several incompatible accounting functions regarding cash receipts are handled by the same employee.

<u>Recommendations</u> - We recommend that one employee be designated to open the mail and make a prelist of receipts, one employee post the receipts and the employee who opens the mail make the bank deposit.

<u>Response</u> - Due to the limited number of personnel in the office it is not feasible at this time to break down the segregation of duties any further.

<u>Conclusion</u> - We realize that there are limited number of personnel available and we agree with the City's response. Our purpose in making this observation is to remind management of the careful attention and scrutiny of the records that is necessary when a limited number of personnel are available which makes ideal controls impossible.

Part II: Other findings Related to Required Statutory Reporting

- 06-II-A. Official Depositories A resolution naming official depositories has been approved by the City.

 The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2006.
- 06-II-B. Certified Budget City disbursements during the fiscal year ended June 30, 2006 exceeded the amount budgeted in General Government. Chapter 384.20 of the Code of lowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

<u>Recommendation</u> - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- 06-II-C. <u>Questionable Disbursements</u> We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- 06-II-D. <u>Travel Expense</u> No expenditures of City money for travel expense of spouses of City officials and/or employees were noted.
- 06-II-E. <u>Business Transactions</u> Business transactions between the City and city officials or employees are detailed as follows:

Name, Title and	Transaction	•
Business Connection	<u>Description</u>	<u>Amount</u>
Tim Hupke, Electric Board Member,		
Manager of Hoffman Agency	Insurance Premiums	\$ 47,576
Jerry Koenigs, Council Member		
Mapleton Hometown Variety	Supplies	\$ 2,697
Jerry Bumstead, Council Member,		
Owner of Bumstead Repair	Miscellaneous Repair	\$ 2,449

<u>Recommendation</u> – The expenditures to Bumstead Repair owned by Jerry Bumstead, Council Member, Mapleton Hometown Variety owned by Jerry Koenigs, Council Member, and Hoffman Agency, managed by Tim Hupke, Electric Board Member should be reviewed by the City Attorney.

Response – Expenditures will be reviewed by the City Attorney.

Conclusion - Response accepted.

06-II-F. <u>Bond Coverage</u> - Surety bond coverage of City officials and employees is in accordance with statutory provisions, but we suggest that the City review its coverage with the council and insurance agent on an annual basis.

06-II-G. Minutes Record and Publications

1. <u>Timely Publications</u> – Chapter 372.13(6) of the Code of Iowa states in part, "Within fifteen days following a regular or special meeting of the council, the clerk shall cause the minutes of the proceedings of the council, including the total expenditures from each city fund, to be published in a newspaper of general circulation in the city."

<u>Recommendation</u> – The City should submit minutes for each meeting of the City Council for timely publication as required by the Code of Iowa.

Response – Minutes of the City have not always been published in a timely manner. Minutes were often not published until they were approved at the next regular meeting. Policy was changed and updated in October 2005.

Conclusion - Response accepted.

06-II-G. Minutes Record and Publications - (cont'd)

2. Official Signatures – Chapter 380.7 of the Code of Iowa states, in part, the City Clerk shall "authenticate all measures except motions with the Clerk's signature and certification as to time and manner of publication, if any." The minutes record for the City included a space for the Mayor and City Clerk to sign. However, the minutes for the City were not always signed. The minutes for the Electric Utility were also not signed.

<u>Recommendation</u> – The minutes records for the City and Electric Utility should be signed to authenticate the record. This appears to the City's intention since a space is provided for signature.

Response – Update policy in October 2005.

Conclusion - Response accepted.

3. <u>Closed Meetings</u> – Chapter 21.5 of the Code of Iowa provides the specific purposes a governmental body may hold a closed session. When the City held closed sessions, the City provided a brief description for the closed session(s) but did not always identify the specific statutory section allowing the closed session.

<u>Recommendation</u> – The City should identify the specific statutory authority allowing the closed session, including documentation of the request to close the session or hold an open session.

 $\underline{\mathsf{Response}}$ — The City will better define the purpose for a closed session, including the statutory section.

Conclusion - Response accepted.

- 06-II-H. <u>Deposits and Investments</u> We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of lowa and the City's investment policy.
- 06-II-I. Financial Condition The City had a deficit in the TIF Fund of \$35,383, the General Fund of \$511,148, and the Road Use Fund of \$31,948.

Recommendation - The City should monitor these funds and make sure deficits can be recovered through TIF Revenues, general tax revenues, charges and other general revenues.

Response - The City will monitor the Funds and will spend accordingly.

<u>Conclusion</u> - Response accepted.

06-II-K. <u>Use of City Property, Equipment and Facilities</u> — According to Article III, Section 31 of the Constitution of the State of Iowa, "no public money or property shall be appropriated for local or private purposes." Also, according to an opinion of the Attorney General dated May 13, 1983, "private use of public property is permissible only if the private use is incidental to a public purpose."

The City's policy for use of City equipment states in part "No use of City equipment is allowed without official approval." Two Electric Utility employees stated they have used equipment for personal use and believed they were allowed to use equipment for personal use as needed. However, the Electric Utility Board of Trustees Chairman and a City Council Member stated they did not know of any employee using equipment for their own personal

06-II-K. Use of City Property, Equipment and Facilities - (cont'd)

use. They both state the City occasionally uses City equipment to help other people out and provided an example of lifting a sign on a building owned by a City Council Member and lifting an air conditioner on top of the same City Council member's building.

In addition, City and Electric Utility employees and equipment were used during business hours to install a sprinkler system on the golf course land leased from the City. The sprinkler system was not purchased by the City or Electric Utility. Two Electric Utility Board of Trustee Members and a City Council Member represented this was in the interest of the community to help out the golf course.

The City has also allowed golf course equipment to be stored in the City Armory. At the time of the reaudit, the City was allowing a local motel to use the Armory for storage while the motel is remodeled. There is currently not a policy on the use of the City Armory.

The approval for the use of City or Electric Utility property, equipment and facilities for any reason other than City or Electric Utility business was not documented nor included in the minutes of the City or the Electric Utility.

Recommendation – The City and Electric Utility should establish policies for mixed public and private usage of public owned property. According to the 1983 opinion of the Attorney General, "private use of public property is permissible only if the private use is incidental to a public purpose."

If the City or Electric Utility continues to offer employees, equipment or Armory space for use by anyone in the community, they should develop a policy including instructions for requesting the equipment or Armory space and advance approval by the City or Electric Utility. This approval should be in writing and in the minutes record, including documentation of the public purpose served.

In addition, if this practice is continued, the City and Electric Utility should consult legal counsel and insurance agent(s) regarding potential risks and liability to the City and/or Electric Utility.

Response - Policy should be updated and be specific about use of public property for private use.

Conclusion - Response accepted.